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REPORT TO THE CONGRESS

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Need For Improvement In Utilization
Of Available Material In The
Department Of Defense B-163478

*Central Accounting
Committee*

**BY THE COMPTROLLER GENERAL
OF THE UNITED STATES**

7-70 448/
087417

MAY 14, 1968



COMPTROLLER GENERAL OF THE UNITED STATES
WASHINGTON, D.C. 20548

B-163478

To the President of the Senate and the
Speaker of the House of Representatives

The accompanying report presents the finding resulting from our limited examination of the Department of Defense's centralized screening system--a computer operation designed to match Defense assets not needed by one activity against the needs of another.

We have found that the system has greatly benefited the Department of Defense in its use of material but that there is a need for certain improvements to increase the effectiveness of the system,

Under the centralized screening system, data concerning needs for and availability of material are required to be submitted periodically by inventory control points. The data are matched, generally, by stock number, and the inventory control points are advised accordingly of the availability of material for possible redistribution.

The system, as presently operated, depends on the voluntary cooperation of the agencies. We found, however, that the centralized screening system had not been fully effective because the inventory control points had not, in many instances, submitted the necessary information. Furthermore, when the information was provided, it was often neither accurate nor current.

We believe that many of the problems which we have identified could have been avoided had there been an organization vested with the responsibility for ensuring that the Defense agencies followed the prescribed operating policies and procedures.

After our findings were brought to the attention of Department of Defense officials, certain corrective actions were taken. Although these actions will achieve improvements, it continues to be our view that full effectiveness will not be realized until the system is brought under the control of an organization having the responsibility for ensuring that procedures are followed.

We are recommending that, since the responsibility for establishing basic policies relating to the centralized screening system is

currently vested in the Office of the Assistant Secretary of Defense (Installations and Logistics), the Secretary of Defense assign to that organization the responsibility **for** surveillance of the system to ensure effective implementation.

We are reporting this matter to inform the Congress of the need for improved management controls over the operation of the Department of Defense centralized screening system for material utilization and of certain corrective actions that have been taken.

Copies of this report are being sent to the Director, Bureau of the Budget; the Secretary of Defense; the Secretaries of the Army, Navy, and Air Force; the Director, Defense Supply Agency; and the Commandant of the Marine Corps.

A handwritten signature in black ink, appearing to read "James B. Axtell". The signature is written in a cursive, slightly stylized font.

Comptroller General
of the United States

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REPORT ON
NEED FOR IMPROVEMENT
IN UTILIZATION OF
AVAILABLE MATERIAL
IN THE
DEPARTMENT OF DEFENSE

INTRODUCTION

The General Accounting Office has examined into the effectiveness of the automated centralized screening system for matching material, available at various locations in the Department of Defense, with material needs at other locations. Our examination, made pursuant to the Budget and Accounting Act, 1921 (31 U.S.C. 53), and the Accounting and Auditing Act of 1950 (31 U.S.C. 67), was directed primarily to those aspects of the screening system which appeared to warrant our attention rather than to an overall review of the Department of Defense materiel utilization program.

We reviewed available records related to the determinations of the material needs, reports on reviews and studies of the program, and actions resulting from matching operations. We also interviewed responsible supply officials. Our examination was performed at the Defense Logistics Services Center (DLSC), Battle Creek, Michigan, and at the following inventory control points (ICPs): the Army Aviation Materiel Command, St. Louis, Missouri; the Ogden Air Materiel Area, Hill Air Force Base, Utah; and the Navy Aviation **Supply** Office and the Marine Corps Supply Activity, Philadelphia, Pennsylvania,

BACKGROUND

The Department of Defense (DOD) established the inter-service supply support program in July 1955 in an attempt to obtain greater utilization of available material within and among the military departments. Under this program a

military service, prior to procuring an item, was required to ascertain whether other known users had the item, or an acceptable substitute, available for transfer. To further improve the use of personal property, DOD in 1959 directed the services to exchange information on quantities of items that were available for transfer. This system for the transfer and use of available material was later designated as the Defense materiel utilization program.

Previous reviews made by the General Accounting Office have shown a need for substantial improvement in redistribution of available material. Our reports, issued during the period 1960 to 1963 on selected aspects of the program, identified about \$130 million worth of available material which the services had not redistributed. This condition existed primarily because (1) records of available material had not been appropriately screened for the purpose of satisfying unfilled needs, (2) limited centralized management control over utilization procedures had been followed at the ICPs, (3) interservice coordination had been lacking, and (4) direction and control at the DOD level had not been fully effective.

DOD initiated a project to develop an automated system as a means of more effectively determining whether material was available at an ICP for transfer to satisfy the needs of another ICP. This project, often referred to as Project **PLUS**, was entitled "Procedures for Long Supply Assets Utilization Screening." The project became operational in November 1962 and was redesignated as the automated centralized screening system under the Defense materiel utilization program. Transfer of material through direct contact with other known users is authorized only when an emergency exists for an item, when the cost of procuring the item or repairing the existing item will exceed \$50,000, or when an item is under integrated management.

DLSC of the Defense Supply Agency (DSA) was assigned the responsibility of establishing, operating, and maintaining the automated centralized screening system. The procedures and instructions applicable to the utilization program were prepared by DSA in conjunction with the military

services. Each service has the responsibility for implementing the procedures and instructions and establishing controls to ensure that available material will be effectively used.

Under the screening system, the DSA and military ICPs submit to DLSC at least semiannually information on the material required and available for transfer, which is for inclusion in the master screening files. The primary function of the screening system is to determine the availability of material to satisfy reported needs and to so advise the requiring ICP. It is the responsibility of the ICPs involved to effect the transfer of the material.

DOD reports indicated that material with an estimated value of about \$244 million had been transferred under the screening system during fiscal year 1966. Material offered as available to satisfy existing needs in fiscal year 1966 was valued at \$417 million, an increase of about \$183 million over the value of material offered in the prior fiscal year.

At the end of fiscal year 1966, the ICPs reported, and DLSC had on file, information indicating that over a million items estimated to cost \$127 billion were required and that over 723,000 items valued at about \$3.6 billion were available for transfer. In fiscal year 1966, over 168,000 items valued at \$417 million were offered to ICPs requiring those items. However, the ICPs reported to DLSC in the same period that about \$173 million worth, or 41 percent, of the offered material had been rejected or denied shipment. There is no record available of the material actually transferred through the efforts of the screening system.

A list of the principal management officials of the Department of Defense responsible for the administration of activities discussed in this report is shown in appendix I.

FINDING AND RECOMMENDATION

NEED FOR IMPROVEMENTS TO INCREASE UTILIZATION OF AVAILABLE MATERIAL

The DOD centralized screening system has resulted in increased redistribution of material within the military services and increased offers of material available for transfer. A need continues, however, for improvements in the system to increase the use of available material. The screening system has not been fully effective because the ICPs participating in the program did not, in many instances, provide the DLSC information on needed and available material. Furthermore, when information was provided, it was not always accurate or current. In some instances, the lack of appropriate and timely decisions resulted in the deletion of needed information from the screening system.

In our opinion, corrective action covering many of the problems which we have identified could have been taken had there been an organization vested with the responsibility for ensuring compliance with policies and procedures. Examples of the conditions found in our review are discussed in the following sections of this report.

Information on needed and available material not reported for screening

One of the essential elements of the screening process is the furnishing of information on needed and available material by the ICPs. Unless such information is reported, DLSC has no means of matching material available at one ICP with the needs of another ICP.

We found that the ICPs had not always submitted information on needed and available material to DLSC for screening. For example, the Ogden Air Materiel Area (OOAMA) withheld information on available material from the screening operation because of its concern that the items would be either requisitioned or disposed of as excess and would become a loss to the Air Force. Our test of 711 items available in April 1967--which should have been reported by OOAMA to DLSC for screening--showed that 615, or about 86 percent,

of the items had not been reported. This approach was contrary to the intent of the utilization program, which is to use available material to the fullest extent possible.

This situation resulted because OOAMA had issued an instruction to compute material needs at levels which would permit it to retain more material. We believe that, although the instruction specifically stated that this action was not intended to preclude the transfer of material to meet current needs of other services, it **may** have precluded the transfer of material under the centralized screening system because available material was not being reported to DLSC .

An OOAMA official informed us that, although the material available for transfer had not been reported to DLSC for screening, some of the items could be released if another service needed them. Subsequently, we determined in a limited test that the Army Aviation Materiel Command (AVCOM) had a need for some of the items not previously reported and OOAMA transferred material valued at about \$13,400.

Navy auditors found that the Navy Aviation Supply Office (ASO) had not reported to DLSC information on over \$205 million worth of available material because ASO believed that the related end-item had not been in the system long enough to establish usage experience. The auditors concluded that ASO should have reported this material because, in computing its requirements, ASO had given consideration to the lack of usage experience. The auditors had recommended, in a report dated June 1966, that information on the items be submitted for screening, but, at the time of our review in March 1967, ASO still had not reported this material.

At AVCOM we found that information on the need for 77 items in January 1967 had not been reported to DLSC for screening. We determined at DLSC that some of the needed material was available at other locations. This information was furnished to AVCOM, and, as a result, requisitions for seven of the items, valued at about \$59,000, were issued for transfer of the material to AVCOM.

We found also that the Marine Corps Supply Activity (MCSA) had not reported material programmed for repair in July 1967. We determined at DLSC that material was available for transfer to the Marine Corps, which would eliminate the need to repair the unserviceable material. On the basis of information contained in the Marine Corps' repair program, we estimated that the reporting of this material by MCSA could have resulted in the transfer of serviceable material valued at over \$259,000 and the elimination of repair costs of about \$103,000.

Information reported by ICPs
not always accurate or current

Another essential element of the screening process is the furnishing of accurate and current information. This is necessary because, in the screening operation, DLSC updates the computer files biweekly. At the same time, the computes matches material needs with material available for transfer.

Our review showed that over 41 percent of the \$417 million worth of material offered during fiscal year 1966 had been rejected or could not be shipped. About two thirds of the offer rejections resulted because the material was no longer needed, and almost all of the shipment denials resulted because the material was no longer available. Offer rejections and shipment denials result in significant wasted efforts on the part of DLSC and the various ICPs involved.

In a report issued in June 1966, the internal audit staff of DSA stated that the high percentage of rejections and denials illustrated the extent to which information reported by the ICPs was outdated and inaccurate. We were told by ICP personnel that the information reported to DLSC on both needed and available material was not always accurate. It appears that the nonproductive offers could have been minimized if the information had been accurate and up-to-date when reported to DLSC.

The inaccuracy of information initially reported by the ICPs can be further demonstrated by DLSC reviews of information on certain material, which has been on file in the screening system for 30 days. These reviews are made to determine whether the material has use or application other than that indicated by available supply data. If the material can possibly be used, DLSC circulates that information to designated defense and military activities. Before any information is circulated, however, DLSC contacts the ICP reporting the material to learn whether the material is still available. Such contacts by DLSC on 1,124 items showed that 656, or about 58 percent, of the items were no longer available.

We recognize that the status of an item may change subsequent to the time it is reported to DLSC and that the ICP may need the item when the ICP is contacted by DLSC concerning availability of the item for other uses.

Information on needed and available material
erroneously deleted from screening files

A third essential element of the screening process is the retention of information in the screening system so long as there is a valid need for the information. Unless such information is retained, the screening operation will not be effective because information on all needed or available material will not be considered when the matching operation is performed.

Under the screening procedures, if notice of a rejection or a shipment denial is not received within 60 days from the date of the offer, DLSC assumes that a transfer of material has taken place and the related information is removed from the computer files. We found that needed information was being deleted from the files because the ICPs did not always report the rejection of offers or the denial of shipments to DLSC or take prompt action on offers or requests for material.

We tested 116 transactions assumed by DLSC to have resulted in transfers of material during 1966 and found that 72, or about 62 percent, of the transactions had not taken place. Because DLSC assumed that the transfers had taken place, information on the related material was removed from the screening files. In fiscal year 1966, DLSC removed from the screening files information on needed and available material valued at about \$244 million because it assumed that the material had been transferred. DSA auditors estimated that the material reported by DLSC as shipped under the centralized screening system had been overstated by 75 percent because of such improper assumptions.

The erroneous deletion of data from the screening file affects the potential transfer of available material because the ICPs may not be aware that information on needed or available material has been removed. For example, we found

at AVCOM that one official thought information on material needed by AVCOM had been in the screening files for about 6 months. However, DLSC had removed this information from the screening files when it did not receive notice of the shipment denial by the San Antonio Air Materiel Area. We advised AVCOM that other material had been reported to DLSC as available for transfer, and, as a result, AVCOM issued a requisition for items valued at about \$162,000.

In an attempt to eliminate problems created by the erroneous deletion of information from the screening system, DLSC has developed an "offer transaction card concept." Under this concept, information on offered material is to be removed from the screening system only on receipt of actual notice of (1) rejection of the offer, (2) denial of the shipment, (3) shipment of the material, or (4) receipt of the material. Such a procedure should preclude the deletion of information based on improper assumptions that the items have been transferred. The new procedure is still in the planning stages and will require acceptance by the services before it becomes a part of the screening system,

Also, we found that the ICPs had not always taken prompt or proper action on offers of or requests for material. For example, an OOAMA official stated that about 50 percent of OOAMA's requests for material had been canceled because responses from the ICPs reporting the material available for transfer had not been received within reasonable periods of time. At ASO we reviewed five items for which OOAMA had canceled its request for material. Three of the items were still available for transfer, although ASO had taken no action on the requests.

We found also that ASO had not taken timely action to obtain material indicated by DLSC to be available. Our analysis of 374 offers by DLSC in 1966 showed that requisitions for 60 percent of the items had not been issued within 60 days after DLSC's offer. The failure to take timely action limits the use of available material because DLSC removes the related information from its files after a lapse of 60 days.

Internal audits and reviews

The problems which we have identified in our review are directly related to problem areas identified in a report issued on a Department of Defense study of the materiel utilization program, dated January 1965; an audit report issued by the Auditor General, DSA, on June 30, 1966; and ASO internal audit reports issued in August 1965 and **June** 1966. These reports show that the use of available material within the services is a matter requiring continuing attention and management emphasis.

The problems reported related primarily to the (1) accuracy and validity of information on available and needed material reported to DLSC, (2) reporting of information on material available for transfer, (3) timely and accurate updating of information to facilitate mechanical screening, (4) overstatement of accomplishment because of improper assumptions that transfers of material actually had occurred, and (5) taking of prompt and proper actions on offers of, or requests for, material.

Agency action

In June 1967 we met with officials of the Office of the Assistant Secretary of Defense (Installations and Logistics) to discuss our finding and the actions that needed to be taken to improve the centralized screening system. These officials acknowledged the need for improvement in the system. The Assistant Secretary of Defense (Installations and Logistics) advised the Assistant Secretaries responsible for materiel matters in the services and the Director, DSA, by memorandum dated **June 23, 1967**, that the deficiencies apparently had resulted from a lack of compliance with existing policies and procedures, stating that:

- "1. ICPs are not maintaining adequate records relative to the receipt, processing and disposition of utilization transactions,
- "2. *** reportable assets and existing requirements are not being submitted by the ICPs to DLSC for inclusion in the centralized screening system.
- "3. The centralized screening files at DLSC are not periodically updated by the ICPs to reflect interim changes in reported asset availability and/or requirements determinations.
- "4. ICPs are not advising DLSC when the assets offered to satisfy existing requirements are rejected or shipment is denied.
- "5. ICPs do not consider offers or transfers promptly."

The Assistant Secretary stated also that these deficiencies reduced the effectiveness of the screening system and emphasized that the success of the program depended on the accuracy and completeness of the data furnished by the ICPs and the appropriate and timely decisions made by these activities. The Assistant Secretary requested that the Director, DSA, with the assistance of the military services,

submit a plan of action to effect full compliance with established DOD utilization policies and procedures. **Also,** he requested a program of reindoctrination of ICP personnel in the procedures and operation of the centralized screening system and solicited suggestions and recommendations of the Assistant Secretaries of the services for improving the utilization program.

In response the Director, DSA, convened a DOD Materiel Utilization Program Conference, whose basic objective was the reindoctrination of ICP personnel in the procedures and operation of the centralized screening system. DSA also initiated plans for the development of (1) an intensified refresher course in screening operations to be given by interservice supply support coordinators to item managers at each ICP, (2) a new reporting concept to provide for reporting all actions resulting from screening system transactions, and (3) a program of joint DSA/military service field assistance visits to the ICPs to review the progress of the reindoctrination of ICP personnel and to help resolve any operating problems in the utilization program.

The Air Force suggested that efforts be made to reduce the workload of the ICPs by placing certain dollar value limitations on items subjected to centralized screening and that a study be undertaken to determine the feasibility of limiting the screening to common-use items. The Air Force contended that these changes would greatly reduce the workload at the ICPs because, under the present system, the ICPs put into the screening system requirements and assets data for almost all centrally procured items.

Agency comments and our evaluation

On October 18, 1967, we brought our finding to the attention of the Secretary of Defense and advised him of our conclusion that (1) the actions to be taken as a result of the request of the Assistant Secretary of Defense (Installations and Logistics) in June 1967 should result in improvement and (2) the centralized screening system was dependent for its effectiveness on the complete cooperation of the services and, as such, would not be as conducive to full material utilization as a system directed by an organization having the authority to ensure compliance.

We therefore proposed that, in addition to the actions taken, a study be undertaken by the Office of the Secretary of Defense to determine the desirability of assigning to the Defense Supply Agency sufficient authority to facilitate improved management control over the materiel utilization program.

The Assistant Secretary of Defense (Installations and Logistics) commented on *our* finding and conclusion in a letter dated December 13, 1967, which is included as appendix 11. He stated that the observations made by the General Accounting Office and the conclusions drawn therefrom were generally concurred in by the Department of Defense.

With respect to our proposal, the Assistant Secretary informed us that the consensus of the military departments and DSA, which was concurred in by his office, was that additional authority for **DSA** in this area was neither required nor desirable. He stated also that the Director, DSA, as program administrator, was currently vested with sufficient authority to administer the program; that the responsibility for determining and promulgating policies in this area rested, and should continue to rest, with his (the Assistant Secretary's) office; and that the responsibility for system discipline in the operation of the utilization program rested with the military departments and DSA.

In a subsequent discussion with officials of the Assistant Secretary's office, we were advised that DSA did not have the proper command relationship with the military services to effectively exercise adequate overall surveillance and control over Defense-wide programs, including the centralized screening system. In their opinion, the responsibility for overall surveillance and control of these programs should be vested with an organizational entity at a level higher than DSA and the headquarters of the various military services. They pointed out that such an organization could more effectively perform surveillance at the ICPs of the military services and at DSA concerning the centralized screening system.

Conclusions

The centralized screening system has resulted in increased redistribution of material within the military services and increased offers of material available for transfer. However, the screening system has not been fully effective because the ICPs participating in the program did not, in many instances, provide DLSC with information on needed and available material. Furthermore, when information was provided, it was not always accurate or current.

We believe that maximum material utilization can be achieved if the system is directed by an organization having the responsibility for ensuring compliance with policies and procedures. The system, as presently being operated, requires the full cooperation of the services, and we found that, in many instances, there was a lack of compliance by the services with existing policies and procedures. Although officials have been aware of the problem areas for some time, many of the problems such as those discussed in this report are still unresolved.

We believe that the plan of action outlined by DSA as a result of the June 23, 1967, memorandum of the Assistant Secretary of Defense will contribute to improvements in the centralized screening system if the objectives stated are properly carried out. We intend to evaluate these actions in future reviews.

Recommendation

We recommend that, since the responsibility for establishing basic policies relating to the centralized screening system is currently vested in the Office of the Assistant Secretary of Defense (Installations and Logistics), the Secretary of Defense assign to that organization the responsibility for surveillance of the system to ensure effective implementation.

Specifically, we suggest that this organization be vested with the responsibility and necessary resources for (1) reviewing procedures and operations of the system and

requiring that changes be made, as necessary, to improve its operation, (2) ascertaining that changes affecting the centralized screening system be uniformly implemented by the military services and the Defense Supply Agency, and (3) requiring, as appropriate, instruction and indoctrination of supply management personnel in the operation of the system.

APPENDIXES

PRINCIPAL OFFICIALS OF
THE DEPARTMENT OF DEFENSE
RESPONSIBLE FOR ADMINISTRATION OF ACTIVITIES
DISCUSSED IN THIS REPORT

		<u>Tenure of office</u>	
		<u>From</u>	<u>To</u>
<u>DEPARTMENT OF DEFENSE</u>			
SECRETARY OF DEFENSE:			
Clark Clifford	Mar. 1968	Present	
Robert S. McNamara	Jan. 1961	Feb. 1968	
ASSISTANT SECRETARY OF DEFENSE (INSTALLATIONS AND LOGISTICS) :			
Thomas D. Morris	Sept. 1967	Present	
Paul R. Tgnatius	Dec. 1964	Aug. 1967	
<u>DEPARTMENT OF THE ARMY</u>			
SECRETARY OF THE ARMY:			
Stanley R. Resor	July 1965	Present	
Stephen Ailes	Jan. 1964	July 1965	
ASSISTANT SECRETARY OF THE ARMY (INSTALLATIONS AND LOGISTICS) :			
Dr. Robert A. Brooks	Oct. 1965	Present	
Daniel M. Luevano	July 1964	Oct. 1965	
DEPUTY CHIEF OF STAFF (LOGISTICS):			
Lt. Gen. Jean E. Engler	July 1967	Present	
Lt. Gen Lawrence J. Lincoln	Aug. 1964	June 1967	
COMMANDING GENERAL, ARMY MATERIEL COMMAND:			
Gen. Frank S. Besson, Jr.	July 1962	Present	

PRINCIPAL OFFICIALS OF
THE DEPARTMENT OF DEFENSE
RESPONSIBLE FOR ADMINISTRATION OF ACTIVITIES
DISCUSSED IN THIS REPORT (continued)

Tenure of office	
From	To

DEPARTMENT OF THE ARMY (continued)

COMMANDER, ARMY AVIATION MATERIEL

COMMAND:

Maj , Gen. John Norton	May 1967	Present
Brig. Gen. Howard Schiltz	Apr. 1964	Apr. 1967

DEPARTMENT OF THE NAVY

SECRETARY OF THE NAVY:

Paul R. Ignatius	Sept. 1967	Present
Charles F. Baird (acting)	Aug. 1967	Sept. 1967
Robert H. B. Baldwin (acting)	July 1967	Aug. 1967
Paul H. Nitze	Nov, 1963	June 1967

UNDER SECRETARY OF THE NAVY:

Charles F. Baird	Aug. 1967	Present
Robert H. B. Baldwin	July 1965	July 1967
Kenneth E. BeLieu	Feb. 1965	July 1965

CHIEF OF NAVAL OPERATIONS:

Adm. Thomas H. Moorer	Aug. 1967	Present
Adm. David L. McDonald	Aug. 1963	July 1967

CHIEF OF NAVAL MATERIAL:

Adm. Ignatius J. Galantin	Mar. 1965	Present
Vice Adm. William A. Schoech	July 1963	Mar. 1965

PRINCIPAL OFFICIALS OF
THE DEPARTMENT OF DEFENSE
RESPONSIBLE FOR ADMINISTRATION OF ACTIVITIES
DISCUSSED IN THIS REPORT (continued)

Tenure of office	
From	To

DEPARTMENT OF THE NAVY (continued)

COMMANDER, NAVAL SUPPLY SYSTEMS

COMMAND:

Rear Adm. Bernhard H. Bieri, Jr.	Aug. 1967	Present
Rear Adm. Herschel J. Goldberg	May 1965	July 1967

COMMANDING OFFICER, NAVY AVIATION

SUPPLY OFFICE:

Rear Adm. H. J. Patrick Foley, Jr.	June 1966	Present
Rear Adm. H. F. Keuhl	Feb. 1962	June 1966

MARINE CORPS

COMMANDANT OF THE MARINE CORPS:

Gen. Leonard F. Chapman, Jr.	Jan. 1968	Present
Gen. Wallace M. Greene, Jr.	Jan. 1964	Dec. 1967

COMMANDING GENERAL, MARINE CORPS

SUPPLY ACTIVITY :

Maj. Gen. Wallace H. Robinson, Jr.	Mar. 1966	Present
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DEPARTMENT OF THE AIR FORCE

SECRETARY OF THE AIR FORCE:

Dr. Harold Brown	Oct. 1965	Present
Eugene M. Zuckert	Jan. 1961	Sept. 1965

PRINCIPAL OFFICIALS OF
THE DEPARTMENT OF DEFENSE
RESPONSIBLE FOR ADMINISTRATION OF ACTIVITIES
DISCUSSED IN THIS REPORT (continued)

		<u>Tenure of office</u>	
		<u>From</u>	<u>To</u>
<u>DEPARTMENT OF THE AIR FORCE</u> (continued)			
COMMANDER, AIR FORCE LOGISTICS COM- MAND:			
Gen. Jack G. Merrell	Apr. 1968	Present	
(Vacant)	Mar, 1968		
Gen. Thomas P. Gerrity	Aug. 1967	Feb. 1968	
Gen. Kenneth B. Hobson	Aug. 1965	July 1967	
COMMANDER, OGDEN AIR MATERIEL AREA:			
Maj. Gen. Robert H. McCutcheon	Jan. 1968	Present	
Maj. Gen. T. Alan Bennett	Aug. 1964	Dec. 1967	
<u>DEFENSE SUPPLY AGENCY</u>			
DIRECTOR:			
Lt. Gen. Earl C. Hedlund, USAF	July 1967	Present	
Vice Adm. Joseph M. Lyle, USN	July 1964	Aug. 1967	
COMMANDER, DEFENSE LOGISTICS SER- VICES CENTER:			
Capt. Ross A. Porter, USN	June 1967	Present	
Col. Frank Mercer, USAF	July 1964	May 1967	



ASSISTANT SECRETARY OF DEFENSE
WASHINGTON, D.C. 20301

SS
INSTALLATIONS AND LOGISTICS

13 DEC 1967

Mr. William A. Newman, Jr.
Director, Defense Division
General Accounting Office
Washington, D. C. 20548

Dear Mr. Newman:

Reference is made to **your** letter of October 18, 1967 which forwarded **for** review and comment a Draft Report entitled "Need for Improvement in the Centralized Screening System of the Materiel Utilization Program" (OSD Case #2679).

The Draft Report states that the centralized utilization screening system has not been fully effective because the Inventory Control Points (ICPs) are not, in many instances, providing the Defense Logistics Services Center (DLSC) with requirements and releasable assets information, and that the information provided is at times inaccurate and not current. The Report states further that the lack of appropriate and timely decisions by the ICPs has resulted in improper deletion of required information in the screening systems. The Report acknowledges the fact that DoD is aware of the deficiencies that exist in the program and that aggressive corrective action is being taken.

The Draft Report concludes that although the DoD materiel utilization program increased from \$666 million in FY 1960 to \$1.9 billion in FY 1966, a need for additional improvements continues.

The Draft Report recommends that in addition to the actions being taken to improve the program, the Office of the Secretary of Defense undertake a study to determine the desirability of assigning the Defense Supply Agency (DSA) sufficient authority to facilitate improved management control over the materiel utilization program.

The deficiencies cited in the Draft Report were based upon a review of DLSC's operation of the DoD utilization program, and a visit to four ICPs, one from each of the military services.

The observations made by the GAO representatives during their survey and the conclusions drawn therefrom are generally concurred in,

As stated in your letter, in June 1967 representatives of this Office met with GAO officials to discuss their findings and the actions they believed necessary to improve the DoD centralized utilization screening operations. As a result of this meeting, a memorandum dated June 23 was addressed to the Military Departments and DSA outlining problem areas in the utilization program, most of which result from lack of compliance with existing DoD policies and guidance. The Draft Report takes note of this action and concedes that further improvements should result,

Careful consideration has been given to the recommendation concerning the desirability of assigning DSA "sufficient authority to facilitate improved management control over the materiel utilization program," It is the consensus of the Military Departments and DSA, concurred in by this Office, that additional authority for DSA in this area is neither required nor desirable. The Director, DSA, as Program Administrator, is currently vested with sufficient authority to administer the program. The responsibility for determining and promulgating policies in this area rests, and should continue to rest with this Office. The responsibility for system discipline in the operation of the utilization program rests with the Military Departments and DSA and should remain so.

The opportunity to comment on this report in draft form and to discuss its substance with your representatives is appreciated.

Sincerely,



THOMAS D. MORRIS
Assistant Secretary of Defense
(Installations and Logistics)

B-163478
May 14, 1968

AUTHOR

TITLE

B-163478
May 14, 1968

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	ORGANIZATION		
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